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NPTA MANAGEMENT NEWS

SEPTEMBER 1985

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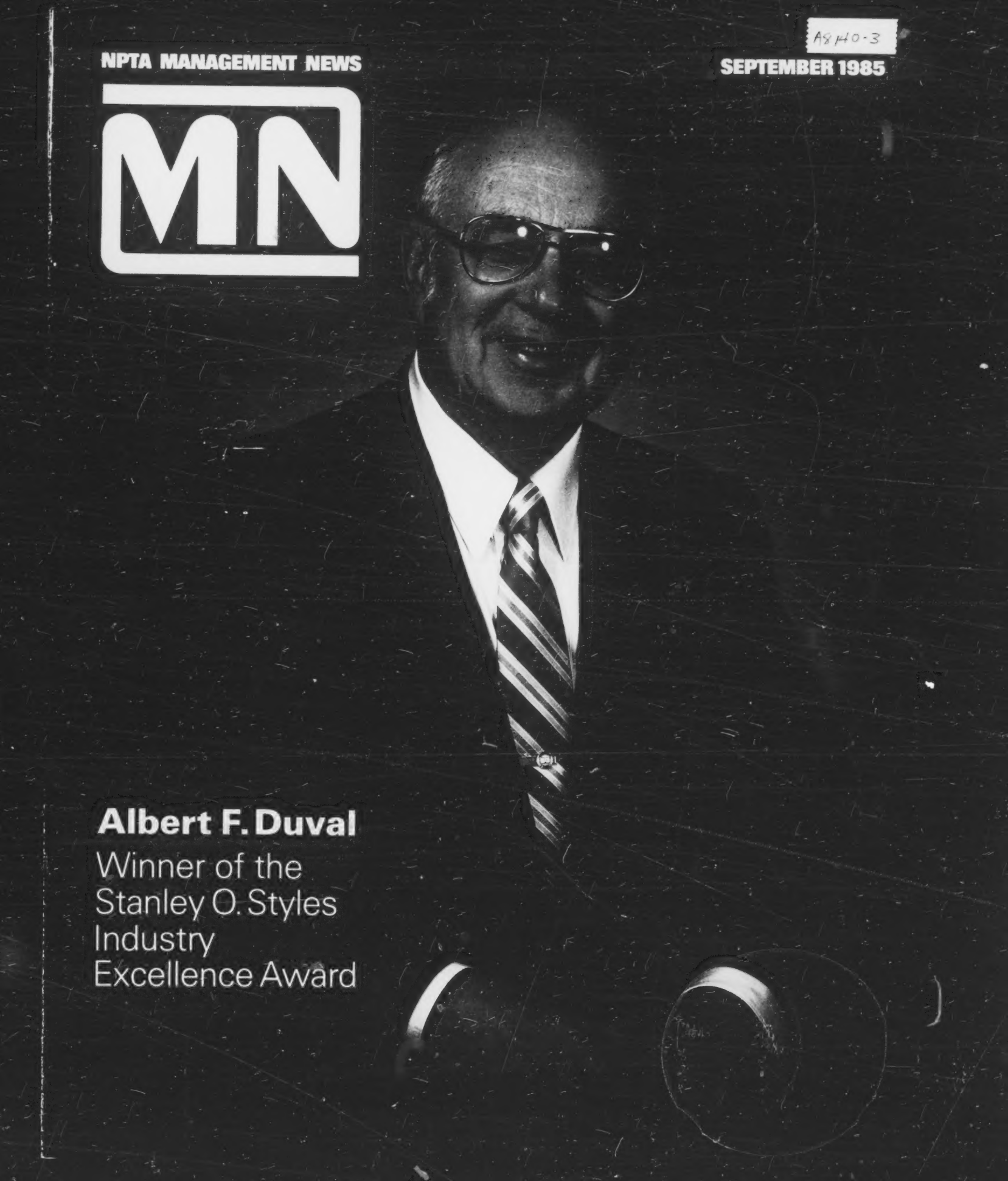

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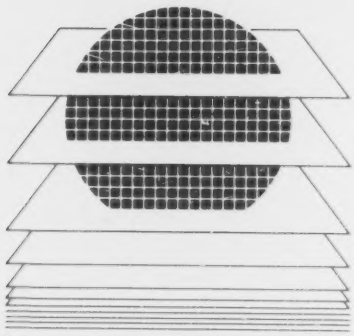

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New York Hilton-Sheraton Centre Hotels

Paper distributors from every state in the Union and 16 foreign countries will meet in New York for the major event of the year: NPTA's Annual Convention and Paper/Plastics and Allied Products Exposition.

Plan on being there for important workshops and seminars, a chance to meet the leaders of the industry, share ideas, and learn what's new on the market for paper distributors.

Expo '85 will feature paper, plastic and related products including health care disposables, retail and industrial packaging, food service items, sanitary supplies and equipment, non-wovens, foils, tapes, wraps and other specialties. Computer hardware and software designed specifically for paper distributors will also be displayed.

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National Paper Trade Association, inc.
Editor
William H. Frohlich
Contributing Editors
John J. Buckley, Jr.
John S. LaRosa
Richard J. Lerman
Bruce H. Linden
Editorial Assistants
Linda Guttman
Carole Morgenthal
Eileen Pelitsch
F. Berneice Underwood
Advertising Director
Richard J. Lerman
Production Manager
Joann Simberlund
Art Director
Dagfinn Olsen

Executive Committee of the Board of Directors
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Counsel
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Cover Photo: Lawrence Witkowski

MILLS SHOWED MIXED SECOND QUARTER SIGNS

From a sampling of paper manufacturing companies' second quarter reports, it is clear that the industry is having some problems. "Our mills and plants are running well," commented Burnell Roberts, chairman and CEO of Mead, "but we are facing very tough market conditions in several major businesses." His company reported second quarter earnings of $33.1 million, down 28% from the $46.1 million posted for the same period a year ago. The irony is that sales are about the same as last year.

Potlatch showed similar results. Second quarter sales were off slightly from a year ago levels, but earnings of $10.5 million this year were down 34%. Potlatch's Northwest Paper Division had good earnings performance although operating income for the second quarter declined 23% from a year ago. Chairman and CEO Richard B. Madden said that these results were due to poor domestic markets and the adverse effects of the strong U.S. dollar on export sales of the company's bleached paperboard which continued to hurt profitability in the pulp, paperboard and packaging group.

Mead Chairman Roberts would agree. "The strong dollar continues to weaken our position in export markets and has attracted record imports into this country."

Scott Paper Company's Chairman and CEO Philip Lippincott reported that "Our international operations were up sharply in both sales and earnings in the quarter." Overall, the company posted a 7% sales increase to a record $761.1 million for the quarter with net income rising to $53.1 million from $52.9 million for the same period the year before.

But their S.D. Warren division did not do as well. Lippincott said that sales and earnings were "Strong, but somewhat lower than the record second quarter of 1984. There was some softening in the market for heavier weight coated printing and publishing papers, as customers worked off inventories built up during previous quarters."

Great Northern Nekoosa's Chairman William Laidig said of his company's second quarter report "...depressed pricing and oversupply continued to affect many of our markets. As a result, earnings were approximately the same as those of this year's first quarter and substantially lower than earnings a year ago." Second quarter earnings were fixed $12.4 million—down 65% from the same period a year ago. Sales were basically unchanged from that period.

In the 1984 quarter though, net income for the company benefited from investment tax credits and capitalization of interest attributable to the construction of the Leaf River Pulp Mill.

Pentair, on the other hand, reported improved second quarter earnings of $6.5 million—up 8.3% from the same period a year ago on sales that were off by 7%. The sales decrease, says D. Eugene Nugent, president of the company, was due to the sale of their Huron Office Products business earlier this year.

Champion International reported second quarter earnings of $43.3 million on sales of $1.6 billion. These results include earnings of the former St. Regis Corporation acquired in late 1984. A year ago, Champion reported net income of $40.1 million on net sales of $1.2 billion. They reported that order backlogs had dwindled because of inventory liquidation at the customer level. Demand for coated papers has softened due to imports as well as customer inventory reductions. Some production was curtailed at the end of the quarter as demand was sluggish due to the strong dollar and lackluster economy. Champion's packaging segment showed operating income tumble.

It is a mixed bag. Most mills are reporting that expectations for the third quarter will be more of the same. No one, at this point anyway, is making any long term predictions.

NEW WESTERN NETWORK FORMED BY UNISOURCE

Formation of Unisource, a new paper distribution network throughout the 11 Western states, has been announced by Raymond A. Peterson, who has been named president of The Unisource Corporation, newly formed after the recent amalgamation of Blake, Moffitt & Towne

EVENTS

OCTOBER

5–8 *NPTA's Annual Convention and Exposition, New York Hilton, Sheraton Centre Hotels, New York, NY. Contact NPTA.*

23. *Managing Customer and Product Line Profitablity— A Key to Survival and Growth in the 80s., Los Angeles, CA. Contact NPTA.*

24. *Print Pacific '85, San Mateo Expo Center, San Francisco, Ca. For more information contact Dwight Mitchell, show manager, 415-962-8976.*

28–11/1. *Printech Week, Rochester, NY. Contact NPTA.*

NOVEMBER

6–8. *Trends in Paper Distribution Computerization Conference, St. Louis, MO. Contact NPTA.*

10–15. *Paper Distribution Management Development Program, Oxford, OH. Contact NPTA.*

18–19. *The second uncoated groundwood papers conference, Waldorf-Astoria, New York, NY. For more information contact: David R. Allan, Pulp & Paper Seminar Department, 212–683–9294.*

19–20. *Successful Inventory Management for the Wholesale Paper Distributor, Seattle, WA. Contact NPTA.*

and Carpenter/Offutt, two widely known paper houses in the West. Peterson has been president of Carpenter/Offutt.

The Unisource Corporation is part of The Paper Corporation of America group, whose parent corporation is Alco Standard (NYSE) at Valley Forge, PA..

From the Unisource company's new corporate offices located in Long Beach, CA, Peterson said, "The new Unisource organization of 23 paper distribution centers and 17 'Paper Plus' retail stores, extending from Fairbanks to the Mexican border and from Honolulu to Salt Lake City, provides a new cohesive and expanded fine paper supply network throughout the West.

"With our exceptionally strong supplier relations, this expanded Unisource team will benefit the growing graphic designer, packaging and printing markets we serve."

Besides fine papers for printers and copying machine users, the new Unisource organization distributes such industrial products as packaging materials and equipment; foodservice, shipping room, janitorial and maintenance supplies, according to Peterson.

L&CP FORMED, MANAGEMENT TEAM NAMED

Champion International acquired the St. Regis Laminated and Coated Products Division last Fall in its purchase of St. Regis. Champion has sold the Division to a group composed of the Division's management and Zellstoffund Papierfabrik Frantschach AG, an Austrian paper products producer.

Kermit Greene has been named president and CEO of the new company. He was formerly the Division's vice president and general manager.

The other officers of L&CP, all former Division executives, include: Jack Carr, executive vice president and chief operating officer; Patrick J. Farrell, vice president marketing and sales; H. Paul Fortin, vice president manufacturing; Curt Kittelson, vice president finance and administration, chief financial officer.

"Our senior management team has extensive experience with this business," said Greene. "Most of us have been with the L&CP Division or predecessor units for 15 to 30 years. As a result, we are confident of a smooth transition from being a profitable division of St. Regis and Champion to a profitable, free-standing enterprise."

L&CP produces a wide variety of masking papers, cohesive papers for industrial and medical packaging, specialty papers, gummed printing papers and industrial release papers.

Headquartered in Newton, it operates manufacturing plants in Bridgeview, IL, and Troy, OH, in addition to Newton.

Sales in 1984 exceeded $90 million. The company employs about 800 people.

G-P SELLS BOX PLANT

Georgia-Pacific Corp. has sold the assets of its Fort Smith, AR, corrugated sheet plant to Westark Specialties, Inc. Terms of the sale were not disclosed.

Westark Specialties is a diversified company based in Fort Smith, and its

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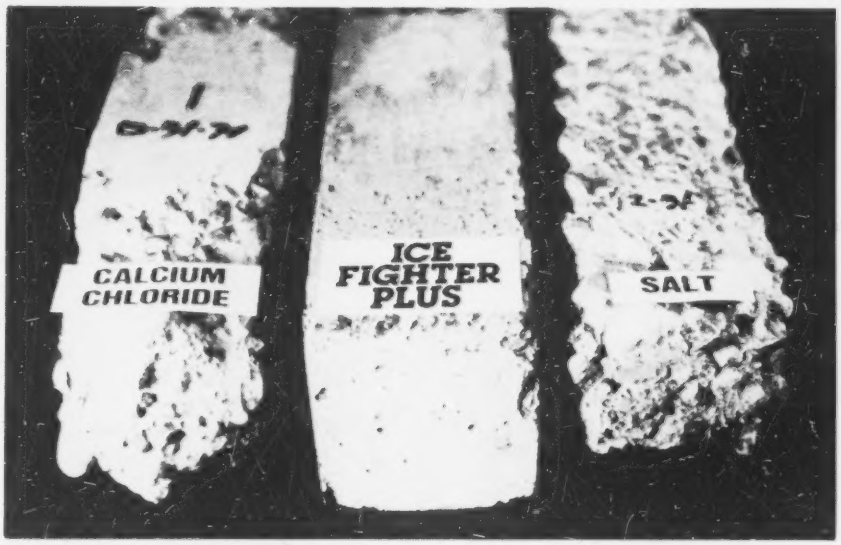

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operations include another corrugated sheet plant in that city. The company manufactures a wide range of specialty containers and packaging for markets in AR, MO and OK.

Georgia-Pacific's corrugated container operations include 30 plants nationwide, with a combined annual capacity to produce about 17.5 billion square feet of corrugated packaging.

PAPER INDUSTRY WAGE INCREASES DOWN

The revised 1984 first-year wage increase negotiated by American Paper Institute (API) member companies is 3.6%. Remaining from the 1984 bargaining calendar are: Simpson Paper at Eureka and Ripon, CA; ITT Rayonier at Port Angeles, WA; Louisiana-Pacific at Ketchikan, AK; and Garden State Paper at Garfield, NJ.

However, the first four mills all implemented offers (Louisiana-Pacific at Ketchikan is currently in the process of negotiating a 1985 agreement) and Garden State Paper is awaiting the details of an arbitration settlement which is due in approximately three weeks, reports API. Factoring implemented offers into the 1984 figure drops the increase to 3.3%.

NEW ENGLAND MERCHANTS ELECT OFFICERS

The New England Paper Merchants Association, headquartered in Marion, MA, elected officers for the 1985–1986 year. They are: President—Richard Rogers, president of Ris Paper Company, Woburn, MA who is also a past president of the Boston Paper Trade Association; First Vice President—Henry S. Julier, president of Carter Rice, Boston, MA who is a past president of the Boston Paper Trade; Second Vice President—Daniel F. Sullivan, treasurer of The Dowd Company, Woburn, MA; Treasurer—Robert M. Bryne, treasurer of Whitney Brothers of Boston, MA; and continuing as Executive Secretary—Albin R. Johnson, Jr.

SOUTHERN PAPER TRADE ELECTS OFFICERS

At a recent meeting of the Southern Paper Trade Association, the following people were elected as officers of the group: Chairman—Earl A. Spindel, Graphic Papers, Inc., New Orleans, LA; President—Clifford G. McGehee, Camelot Distributing Company, Atlanta, GA; Vice President—Samuel C. Polk, Coleman Paper Company, Vidalia, GA; Vice President—Jerry Deen, Western Paper Company, Shreveport, LA; and reelected Executive Secretary–Treasurer, Eleonora B. Vogt, New Orleans, LA.

BULKLEY DUNTON OPENS ONE-STOP DIVISION

Paper'n Graphics, Bulkley Dunton's new division, was opened in July in Paterson,

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NJ. The division is a one-stop shopping concept that offers cut size paper, envelopes, announcements, and graphic supplies. It is designed to service lettershops, inplant and quick printers as well as small commercial printers.

The cash and carry store's manager, Pat Reynolds, said "The one-stop source is a new means of wholesaling to this segment of the trade." Bulkley Dunton plans to open additional stores in the New York Metropolitan area soon.

PEOPLE IN THE NEWS

Bob Weill has been named executive vice president of JB Papers, Inc. of Union, NJ.

George G. Mick has joined Ris Paper Company's Pennsylvania Division as treasurer.

Joseph P. Weil, fourth generation and namesake of the founder of Joseph Weil & Sons, Inc., Chicago, IL has been elected chief executive officer of the company.

Robert B. Miller, Sr. has retired from Monarch Paper Company's Houston Division after 23 years as senior salesman.

James A. Meyers has been appointed operations manager of Virginia Paper's Atlanta branch. **Clyde M. Speicher, Jr.** was named manager-market development at the company's Jacksonville branch. **Edward L. Kryzak** has been promoted to sales manager of Virginia Paper's Miami branch and **R. Daniel Hock** was appointed sale manager of the Orlando operation. **David V. Sharp** has joined the headquarter's staff in Richmond as MIS manager.

John Bomba has joined Paper Enterprises, Bronx, NY as sales manager.

Steven J. Kulyk has been named to the position of director of national account sales for the Fonda Group, Inc.

W. Craig McClelland was elected president and CEO of Hammermill Paper Company and **Donald S. Leslie** was elected chairman of the company. They will replace the retiring **Albert F. Duval. Joseph G. Bergomi, Jr.** was named president of the company's Thilmany operation. He will succeed **Fred Herbolzheimer, Jr.** when he retires on January 1, 1986.

John H. Waechter was elected president of Weyerhaeuser's newly formed Weyerhaeuser Paper Company.

Hal Cranston was named division vice president of Crown Zellerbach's Consumer Products business unit.

Larry Roseman was named sales manager of institutional sales for the American Tissue Corporation.

Kevin L. Ellsworth has been promoted to national sales manager, envelope paper sales for Georgia-Pacific's Printing Paper Division.

William H. Schuler has been named vice president, marketing of Tape, Inc. in Green Bay, WI.

David Harrer was named graphic arts product manager for Appleton Papers Inc. **Steven Fortune** has become southwest regional manager and **Dale Trudell** was named mid-Atlantic regional sales manager for the company.

James G. Crump was elected president of Nekoosa Papers, Inc. succeeding **Gerard E. Veneman** who will continue as executive vice president of Great Northern Nekoosa.

Walter H. Drew has been elected president of Kimberly-Clark's new sales and logistics group and executive vice president of the company.

PRINTING PAPER

SOUTH FLORIDA IS NEW LEADER IN PRINTING EMPLOYMENT

According to recent figures compiled by the U.S. Department of Commerce and the University of Florida, South Florida has now become the "hottest area of printing employment growth" in the Southeastern United States. Printing Industry of South Florida president Manny Abrams said.

In the Department of Commerce's recently published statistics, the Southeastern region is leading the country in growth among both the printing and publishing industries. Florida leads the states in the region by employing 44,632 people of the 1,298,298 total figure employed in the region, an increase of 23.9% over 1979's published study. Of those 44,632, Dade County led the State with a 29.1% increase, totaling 11,106 employees in the printing and publishing industry. South Florida, which includes Monroe, Dade, Broward and Palm Beach counties, employs 18,718 people and experienced a 21.7% increase over 1979.

Dr. Paul L. Noble, former president of Printing Industry of Metropolitan New York (PIMNY) and now an economic consultant to the PISF interpreted this tremendous growth pattern with the fact that Southeastern States have grown at three times the rate of the U.S. as a whole and Dade County's printing and publishing employment grew almost eight times as fast as the rest of the country.

The most recent edition of *Florida Statistical Abstracts* published by the University of Florida confirms these findings. According to the publication, South Florida leads the rest of the state in printing employment. With 19,190 people employed, the size of the industry exceeds all of the other major Florida cities combined, reflecting the growth and vitality of printing firms in this area of the state. In comparison, the Tampa-St. Petersburg area only employs 7,080 in the industry and Orlando, once thought to be a good central location for printing, only employs 2,972 people.

A similar picture is revealed in the latest figures regarding the industry published by the U.S. Department of Commerce's Bureau of the Census in Washington D.C. For the latest year studied, this report shows a growth of 9.1% in the industry in South Florida, as compared to only 1.1% growth in the rest of the State.

"Industry here has sensed this trend for some time," Noble said. "Graphic arts firms in South Florida are young, growth-oriented and aggressive in the marketplace. Our attendance figures at Graphics of the Americas in Miami Beach have been staggering—over 16,000 last year—indicating to us a productivity—minded market is now emerging. These kinds of attitudes are bound to be reflected in the industry's growth figures," he added.

PRINTERS SHOW INCREASED PROFITS

Preliminary results of the 1985 Printing Industries of America, Inc. (PIA), Financial Ratio Study indicate that profit for U.S. printing firms increased, on average, 12.65% last year. This figure parallels a 13.26% growth in sales volume for printing companies over the same period.

The PIA Financial Ratio Study, conducted annually by PIA Financial Services, is a comprehensive financial survey of the North American printing industry. William A. Rose, II, director of financial services explained that "preliminary findings indicate that the U.S. printing industry had a solid year of recovery in 1984." Characteristically, the pace of the industry's recovery is lagging behind the U.S. economy by about three quarters. Recovery for the U.S. printing industry began during the first quarter of 1983.

"The study shows that firms in our industry grew faster than the general economy last year," he noted. "It's clear that U.S. printing firms rode a wave of recovery in 1984." Data from the ratio study program, which profiles an average U.S. printing firm, documents the recovery.

"The 28% decline in Return On Investment (ROI) in 1984 with a coincident rise in the profit before taxes is indicative of the large investment in plant and equipment that was made by U.S. printers last year," commented Rose.

The 1985 PIA Financial Ratio Study has just been published. The series of 14 books provides a comprehensive financial perspective of the industry by geographic region, sales volume and specialty product or process. Each book in the series is available for sale at $60.00 for PIA members and $90.00 for nonmembers. For further information contact William A. Rose, II, director of PIA Financial Services, Printing Industries of America, Inc., 1730 North Lynn Street, Arlington, VA 22209; 703–841–4805.

MANY HIGHLIGHTS AWAIT AT DRUPA '86

American printers traveling to DRUPA 86 next year in Dusseldorf, West Germany can see much of the industry's past and present, according to

For the Average U.S. Printing Firm					
	1980	1981	1982	1983	1984
Sales Dollar Volume (in thousands)	3,537	3,997	4,966	5,273	5,972
Profit Before Taxes	4.12	3.87	2.61	3.14	3.54
ROI	7.26	6.84	5.26	5.77	4.17

Dirk Meumann, executive director of Dusseldorf Trade Shows, New York.

Meumann said Germany is rich in printing history as well as the site of some of the major manufacturing facilities of equipment used in the trade.

The main attraction in 1986, he noted, will be DRUPA, the world's fair of printing and paper, to be held in Dusseldorf, May 2–15. But world-famous museums and manufacturing headquarters are within a few hours drive of this centrally-located city on the Rhine River.

Meumann encouraged industry people to plan a visit to the prestigious Gutenberg Museum in Mainz. Here are the tools and products of the world's first printer, including a copy of his rare Bible. Recreated shops, filled with old machines, are other features of the beautiful sanctuary. Actual samples of work produced by early craftsmen are preserved for examination.

Others attending DRUPA, might consider journeying to Hachtel, site of the Mergenthaler Museum, according to Meumann. Built by townspeople in honor of Ottman Mergenthaler, inventor of the Linotype machine, the facility is in the birthplace of the famous inventor. One of his early linecasters, a Model 5, is among the memorabilia.

West Germany is renowned as a country for the development and manufacture of graphic arts machinery, says Meumann. Presses, cameras, paper cutters, color scanners, pagination systems, typesetters, and binding systems are built by many of its firms.

The city of Wiesloch is the site of the world's largest printing press assembly lines, many of which are completely automated. Kiel features a factory for making electronic image processing systems, while process cameras are made by a company in Frankfurt. Wurzburg is headquarters of the world's oldest press builder. Folding and bookmaking machines are made in Ludwigsburg, rotogravure presses in Lengerich, and typesetters in Eschborn.

German cities and towns, according to Meumann, are important industrial centers of interest to all printers. Visits to these facilities, before or after DRUPA, could yield valuable information to businessmen anticipating acquisitions.

He pointed out there is good rail and bus transportation between cities and highways are well marked for those traveling by private vehicle.

Meumann suggested making early arrangments for such side trips by contacting the Dusseldorf Travel Service at (800) 835-0085 or (212) 888-1515 in New York state. General DRUPA information is available from Dusseldorf Trade Shows, 500 Fifth Avenue, New York, NY 10110. Telephone: (212) 840-7744.

INDUSTRIAL PAPER

INDUSTRIAL SALES COMPENSATION STUDY CLOSE TO PUBLICATION

A new publication featuring the results of the NPTA Industrial Paper Division Committee's Sales Compensation Survey will soon be available.

The publication will begin to clarify the current situation in industrial and dual paper merchant compensation programs for sales managers as well as inside sales personnel. It will also help merchants to determine a mix of all compensation elements employed currently by merchants in their area. The study also gathered information about the trends and concerns regarding sales compensation.

The information included in this report covers the following:

- The demographic characteristics of respondents by location, sales volume, specialization and employment levels in sales.
- Characteristics of the compensation programs received by each of six groups of sales and sales management employees.
- Estimates of compensation levels received by the highest, average and lowest paid individuals in each of the six categories of employment groups.
- Estimates of the amount of business generated currently and in the future as "house accounts" and through telemarketing activities.
- Extent and frequency of usage of various types of compensation, such as salary, commission, bonuses, etc. offered to each of the six groups.
- Availability of various fringe benefits such as health, liability, dental and life insurances, pension, and educational programs and the level of company contribution to each.
- Measures of satisfaction with current compensation programs.
- Evaluation of hiring practices and employee turnover influences.
- Structure of commission, automobile and entertainment programs.
- Changes expected in compensation programs over the next 3–5 years.

The publication will also include articles by experts and workbook style sections to evaluate your current program.

FOLDING CARTON TONNAGE NEAR RECORD

During calendar year 1984, folding carton shipments exceeded $3 billion dollars for the first time.

The industry missed setting a new folding carton tonnage record, ending the year just 19,000 tons short of the all time record tonnage established in 1979.

However, pre-tax margins continued to improve for the fifth year in a row since the recent low point in 1979, according to the PPC analysis of industry performance for 1984.

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AL DUVAL WINS STANLEY O. STYLES INDUSTRY EXCELLENCE AWARD

Albert F. Duval, chairman and chief executive officer of the Hammermill Paper Company, has won the 1985 Stanley O. Styles Industry Excellence Award. Given annually to the industry leader who exemplifies the qualities of the award's namesake, the Industry Excellence Award will be presented at the Chairman's Luncheon to be held on October 7, 1985 in New York City during the NPTA Annual Convention.

As he now approaches retirement on his 65th birthday, Al Duval looks back on an illustrious career in the paper business. His accomplishments are many, his leadership unequalled.

Al Duval is the only man to have held the elected office of chairman of the board of the American Paper Institute twice. He has been a tireless worker on industry issues and has been a strong supporter of the paper merchant industry.

On July 1, 1985, John J. Buckley, Jr., president of NPTA, met with Al Duval in his offices in Erie, PA to announce to him the decision of the Association's board of directors. He was surprised to have been selected as this year's recipient of the award and spoke candidly during the interview that followed.

MN: To begin, it is fair to say that one cannot be successful in business without a good combination of business with family. Tell us a little about your family.

DUVAL: I've been very fortunate. I married a beautiful gal in 1947 and we have had eight children, six girls and two boys. Four of our children are married. We all get along great and I feel I've been blessed all the way around.

MN: Any of your children in the paper business?

DUVAL: No. None of them are.

MN: Is there a philosophy that has guided your life either professionally or personally?

DUVAL: I've always tried to keep things in perspective. What seems important today may not be tomorrow. I've tried to look at the "big picture" and also tried to put myself in the other person's position. Maybe that comes from all my years in selling. The ability to look at things from the buyer's point of view—the other side of the equation. I try to do that in my everyday work as much as I know how.

MN: Are you a good salesman at home too?

DUVAL: Well, perhaps that's my weakest part because I have a stronger salesman there. I'm not the sales manager there!

MN: If you could look back and pick out what you feel has been the most important thing that has happened in your career, what would it be?

DUVAL: I've had a lot of good breaks and good opportunities. The single most important thing for me in business was my joining the Hammermill Paper Company in 1960. I didn't know that at the time, actually.

MN: Of all the people you have met over the years, is there one person that stands out that has impressed you the most?

DUVAL: The President of the United States. I had the opportunity to share a cocktail and chat with him some years ago when he came to Erie. I had been impressed by his philosophy and his two terms as governor of California. I feel his leadership has been good for our country and our citizens. Although he is not a man I spend a lot of time with, I'd say he's the one I admire most.

MN: You are now getting ready to retire after 40 years in the paper business. What would you like people to remember you for most?

DUVAL: I would like people to feel that during my CEO years at Hammermill (the last 15 years) that we were able to bring together the many human factors at the company to create something that will live on into the future and will be good for all those who are or will be connected with it.

MN: What would you say have been the major changes that have taken place in paper manufacturing during that time?

DUVAL: Well, it has grown much larger. There are far more large companies today than there were when I started in the business. The cost of producing the products in our industry is so high today that a small company cannot participate except in a very limited sense. So, it takes tremendous investments. We talk in our company about the rebuilding of an older paper machine and that's in the neighborhood of $8–10 million. When we look back through the records, we find that the machine cost less than $1 million when it was purchased. The funds necessary to produce in this business today make it a different business. That is certainly one of the biggest changes.

The other change, I suppose, is something that hasn't changed at all but I mention it because it is something that was predicted to change. In my early years in the paper business, there was constant discussion that the paper merchant would not be a strong, viable force; that manufacturers would more and more take their products directly to the marketplace. I think that if we had taken a poll in the late fifties or early sixties, we would have found that that was the predominant feeling. I never felt that would be good for our industry. And I am happy to say that I was right! Now, 30 years or so later the paper merchant today is as strong or stronger than he was at that time. The places where he does a great job is appreciated by the mills and there is an equilibrium of understanding about that issue that makes it good for both sides of the equation.

MN: What would you say has been the paper manufacturing industry's greatest achievement during that time?

DUVAL: The industry is proving every year that it is a very viable, strong industry that can compete on a world-wide basis, because we are blessed in this country with the basic raw materials and the needed capital. Eventhough there are some temporary setbacks right now because of the value of the dollar, the fact is that over the long haul the paper industry, perhaps more than any other single, large, basic industry in America is healthy world-wide. When you look at coal, steel, aluminum or automobiles you see that they have gone through a lot of trauma in the past decade or two and many of them are not doing well and have doubtful futures. That isn't true of the paper industry. We have done well and I think the paper industry's future is unlimited.

MN: Is there something that the paper industry should have done, but hasn't during that time? —a negative that should have been corrected?

DUVAL: There is a constant problem that the industry has been working on for years and we just haven't done well enough. And that is the public relations aspect with regard to the average person's understanding of just what our industry is doing. The industry gets knocked from time to time for not taking care of the forests or generating pollution. On a specific case basis this could have been true at one particular time, but this has not been generally true. And the industry has not been able to sell its message.

MN: As you look into the future of the paper industry, what would say are some of the opportunities that the industry has in front of it?

DUVAL: The American paper industry has its greatest opportunities, frankly, outside of the United States. We've all done a pretty good job in this country. We manufacture high quality products that serve the purposes for which they were intended. The opportunities lie in getting

these products into other markets. The recognition of the international market potential has come about only recently. But this is not something that happens over night. It will probably take several decades before it is fully realized.

MN: You mentioned the high value of the dollar that has caused some problems in terms of imported paper. Are there any other long term threats that you see for the paper industry?

DUVAL: My response really would apply to all industries. If our country, as a nation, cannot get some of its affairs in order, namely the deficit, we will all suffer. Other than that, I don't see any specific problems ahead for the paper industry specifically.

MN: To follow up on that, because of the low book value of many paper companies, some see them as ripe for takeover. Do you see that as a long-term threat?

DUVAL: It is necessary today, as I mentioned earlier, to have large units because it takes a lot of capital. Our society is complicated. People want to invest and make a profit. Because of that there have been and probably will continue to be combines within our industry. If these are done in a constructive way—and by constructive I mean that both parties look at what needs to be done to make the company better in terms of capitalization, human resources and improved products—then I feel that there is nothing to be concerned about in terms of mergers.

The industry is proving each year that it is a viable, strong industry that can compete on a world-wide basis . . .

I am concerned, however, when it is people from outside our industry that apparently want to get in and out quickly with a profit. That troubles me because it does not meet the other tests I mentioned. The customers, employees and long-term aspects of the company are not looked at in the right way. I am a strong believer in a free society so I am not looking for a lot of new rules. But, I am convinced that these things move in waves. While there are many people around who want to move in quickly on a company, I have a suspicion that some years from now that will be as unpopular, as unfashionable, as the word "conglomerate" is today.

MN: In your years as CEO at Hammermill and your time associated with the American Paper Institute, you have interacted with all of the paper industry's leaders. Is there any specific person in our industry that you particularly admired?

DUVAL: Well, there are many and it may be hard to sort them out, but I don't mind trying. In the last 25 years, the individual who headed up a paper company that impressed me the most from the contributions he made to the industry and to his company was Sox Calder. The man who I believe has probably done more for the industry in the sense of his hard work on tough issues is Dave Luke at Westvaco. This industry is made up of some very fine people.

MN: Is there anyone that you have used as a role model, or someone that you wouldn't mind being compared to?

DUVAL: Well, there is a man that I was heavily associated with here at Hammermill and certainly is a person I admire and at times would act in ways that I thought he would act is Don Leslie, Sr. The person who I have observed in the paper distribution business, and who has been my closest friend over the past 40 years and whom I would be glad to be compared to in any way is Bill Zellerbach.

MN: Bill was our first recipient of the Stanley O. Styles Industry Excellence Award.

DUVAL: Yes, and this is certainly a great honor.

MN: Hammermill has a long history of support for paper distribution. Why has the company developed that kind of philosophy?

DUVAL: We are indebted to our forefathers. We are now completing a book on the history of the company. As you look at the history of Hammermill, the single most important fact that jumps out is that a decision was made early on to distribute the products through merchants who were appointed agents. And secondly, the idea of promoting the company name to create a bond or recognition for future business. And that's the way things turned out. No matter how tough things have been at times in the past, Hammermill has never cut its advertising budget while others have. Hammermill has advertised consistantly since 1912 and has never missed a year.

MN: In addition to your strong support for your appointed merchants, Hammermill itself

has acquired paper distribution companies. Why has the company moved in that direction?

DUVAL: In the early sixties, we got into that because one of our very good merchant friends was selling and it seemed that it would be best to protect what might occur if we didn't acquire him. So we really got into it in a defensive way. Later on we realized that because we had dealt with merchants for so long, that we thought like a merchant. And so we've had outstanding success in the merchant business and that has become the largest part of our business in terms of dollar sales. We are looking forward to 1986 when we go over the $1 billion mark. We are very comfortable with the merchant business and we know the people that run these businesses on a daily basis are comfortable with us.

We don't look at distribution as an outlet for manufacturing. It is a business that deals with manufacturers. In their case, it's distribution first and manufacturing second. We're not sure if everyone else does it that way.

MN: In the past five years under the Commercial Distribution Associates banner, you moved out of printing paper and into industrial paper products. Have there been any surprises?

DUVAL: No there haven't been. It's worked as we hoped it would. We wanted to extend ourselves further into distribution. It's somewhat different, but it is very similar in many ways. It has been very successful for us.

MN: There has been a trend in distribution toward mergers in the past 10 years. Do you think this has had a positive or negative influence on the market?

DUVAL: I don't think it's been either. From the standpoint of the end-user of the products, it makes no difference. Whether he buys from a small independent merchant or a branch of a larger chain, it doesn't make any difference to him.

From our standpoint, it isn't a threat to the marketplace or a help. I wouldn't say that a Hammermill – owned paper merchant is better than any other paper merchant because he is owned by us. I think what makes a merchant better is if he has access to the necessary finances, good management and is doing a good job in the marketplace. These things can happen whether the company is independent or owned.

MN: You have had the distinct honor of being the only man to have served as chairman of API twice. With all your years of experience and time you've spent in the association world, what do you think is the role of the association, in general, in business today?

DUVAL: I think they serve a tremendous purpose. First of all, they provide information that helps a company operate more efficiently and productively. That's the reason I join anything. There has to be some benefit for my company. However, like most good things in life the benefits usually come if someone is willing to put forth the effort to make them happen. If there aren't people willing to serve, than those benefits, over a short period of time, will evaporate.

I have found in the associations having to do with the paper business that there are good people willing to serve. One of the outstanding examples, to me, is the American Paper Institute because on the executive committee there are 18 CEOs of large companies that meet monthly. And at a typical meeting there are 15–18 in attendance. These are people from all around this country and they come together monthly. They wouldn't do it if they didn't feel strongly that there was something good coming out of it.

MN: Do you think that the role of the trade association will remain the same or become more or less important in the years to come?

DUVAL: If anything, they are going to become more important. They are already important. Their major purpose, in the complicated world we have today, is to interface with government. The rules and regulations are so complex and changing that it is almost impossible for companies to do their own interpretation. That is going to become of international importance, not just national.

The necessity of having facts that only can be received through a trade association and the ability to do something about those facts as a group is much more effective than trying to go it alone.

MN: Is there anything else you would like to say to the paper merchant managers and other industry leaders who will be reading this?

DUVAL: I've always been proud of the paper distribution business in this country. And what I have seen occur in it during the last 25 years, I have become more proud. I am sure that the future is very bright.

If I had young people in my family who were betting their future by going into the paper distribution business or investing in it, I would encourage them because I think they would be on the right track.

MN: Thank you very much.

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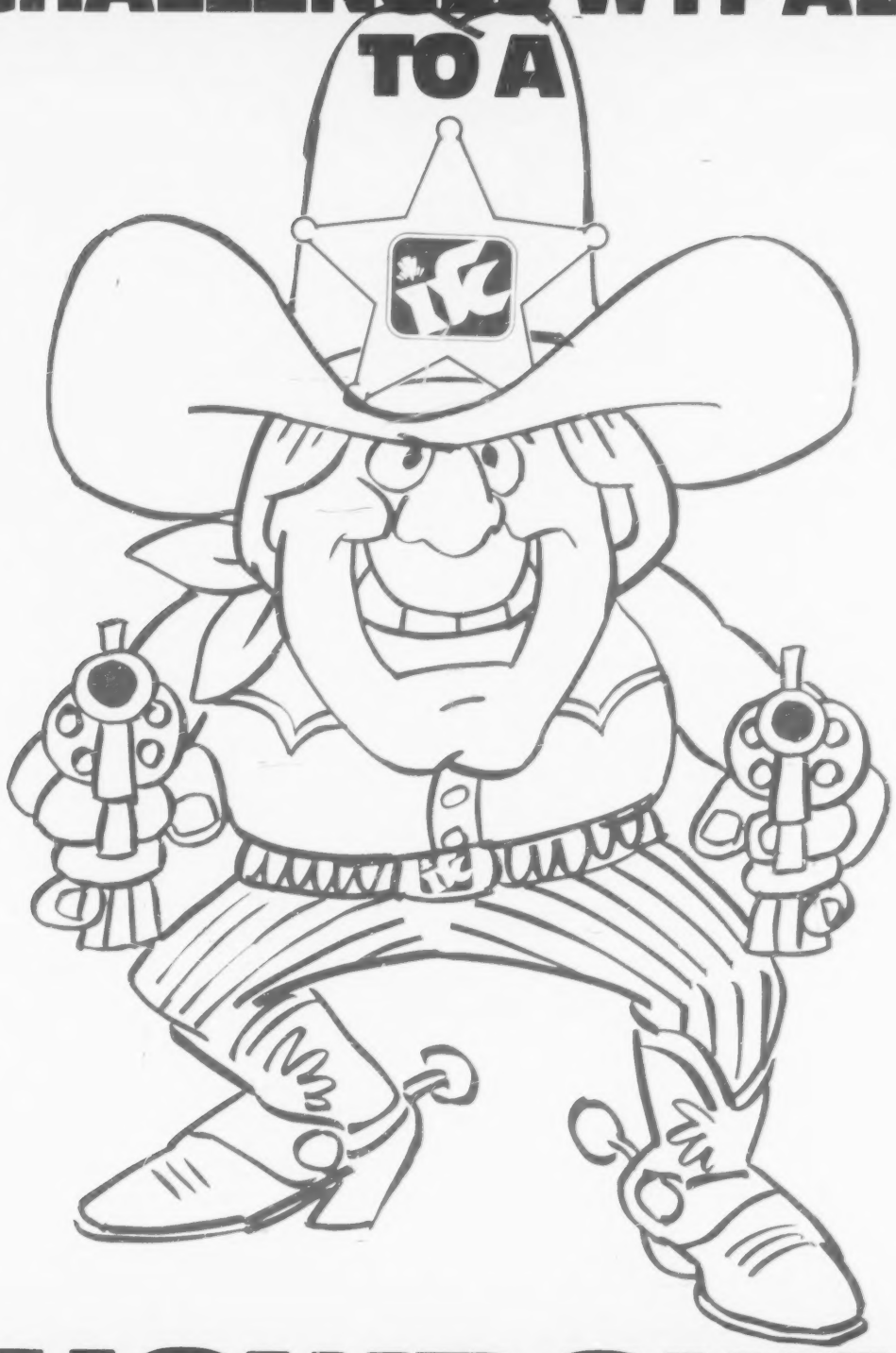

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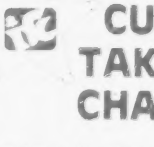

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NPTA CONVENTION '85 UPDATE

The 1985 Annual Convention of the National Paper Trade Association is scheduled for October 5–8 in New York City. Merchants and suppliers are now making plans to attend the event of the year for the paper distribution industry.

1 • 9 • 8 • 5

The following schedule has been updated for *MN* readers. Take a moment to review it. There are many special happenings in New York City at the NPTA Convention this Fall.

If you have not received the necessary registration forms, call NPTA Headquarters at 516–829–3070.

HOTEL ROOMS

NPTA has block-reserved rooms in each of the Convention hotels. These room blocks must be relinguished by the Association on September 13, 1985. At that time, hotel rates will go up to their usual level and the benefit to NPTA Convention goers will be lost.

For room reservations (not suites) call the following hotels directly: New York Hilton: 212–586–7000; Sheraton Centre: 212–581–1000; Sheraton City Squire: 212–581–3300; Warwick: 212–247–2700.

For suite reservations, call NPTA Headquarters at 516–829–3070.

Jack Carew

SATURDAY, OCTOBER 5

Winning With People: 10:00 a.m.–12:30 p.m.

This exhilarating, two and one-half hour presentation by Jack Carew deals with the quality of human relationships and clearly demonstrates the value of cooperation and teamwork, and is hosted by the Young Executives Forum of NPTA. *This session is open to all.*

Instantly, the audience will be involved in an exciting personal event that provides the critical awareness of how their attitudes and communication behaviors affect others.

They are then given the practical tools for behavior modification as it relates to the long-term relationship versus temporary arrangements.

Each participant will then focus on: the creative management of anger, stress reduction and positive coping, initiating new relationships, rebuilding broken relationships.

Next the audience is engaged in a practical, group problem-solving event requiring each team member to be a thoughtful, caring communicator. As the teams compete for honors and humorous prizes, each participant experiences the value of warm, sensitive communication and collaboration during this teambuilding adventure.

The entire experience is fun, exciting, involving, and non-threatening.

Young Executives Luncheon: 12:30 p.m.–1:30 p.m.

This special luncheon for young executives is a time when up-and-coming managers can meet and share experiences. Tickets are required: $35.00 (Use Special Events Form to order tickets.)

Young Executives Forum Workshop: 1:30 p.m.–2:30 p.m.

This workshop is open *only* to members of the NPTA Young Executives Forum. To join the YEF, contact NPTA at 516-829-3070.

Customer Base Expansion: Improving Your Competitive Edge: 3:00 p.m.–4:30 p.m.

This year the Industrial Paper Division of NPTA will present a session on "Customer Base Expansion: Improving Your Competitive Edge," the second in the New Frontiers in Industrial Paper Distribution series.

Discussed will be ways merchants can better market their company's services and products, through public relations activities, brochure development, promotional activities and client presentations. Customer expansion will be discussed both from the vantage point of new products to current customers and additional products to attract new customers. The objective is to make each customer and each delivery more profitable and cost effective. Research has shown that customers are buying products that paper merchants could very easily supply. This session will help merchants see the advantages of better merchandising of accounts and the additional product needs of current and prospective customers.

(Continued on page 22)

SPECIAL EVENTS

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Spouses Program and Chairman's Luncheon

SATURDAY, OCTOBER 5

12:30 p.m.–4:00 p.m.

Since many spouses will be checking into the hotel on Saturday morning, NPTA has scheduled a leisurely elegant luncheon at one of New York's finest hotels, the Sheraton Centre. After lunch, guests will stroll along the world famous glass canyons of Avenue of the Americas, past the headquarters of the media industry and other corporate giants. Then Convention spouses will proceed to one of the most unique experiences in town, "The New York Experience," a multisensory audio visual extravaganza that both dazzles and educates people about the story of "The Big Apple," past and present. It is an unforgettable experience that all guests will remember for a long time to come.

Cost: $37.00 per person

SUNDAY, OCTOBER 6

12:00 Noon–5:00 p.m.

The day will begin with a lovely tour in our motorcoach of the outdoor gardens of the New York Botanical Gardens. After these breath-taking views, it will be off to a lovely luncheon on the grounds and the gardens of the Snuff Mill Inn overlooking the river and a cascading waterfall.

After lunch, Convention spouses will take an hour-long tour of the Glass Conservatory containing thousands of exotic flowers, trees and plants. The professional guide will be an expert from the education department of the gardens and this special tour promises to be both interesting and informative. Included will be a visit to the excellent flower and gift shop on the premises.

On the way back, guests will tour the Upper West Side including the Cathedral of St. John the Divine, Grant's Tomb, Columbia University and an overlook of the Hudson River.

Cost: $43.00 per person

MONDAY, OCTOBER 7

9:30 a.m.–12:00 Noon

The morning will begin with a visit to the United Nations building where Convention spouses will be personally welcomed by a member of the United States delegation Committee and will be taken on a tour of the building, including the meeting rooms, the art works and exhibits. There will be an opportunity to visit the unusually lovely gift shop at the United Nations. If weather permits, guests can stroll through the grounds of the building. Then on to a bus for an exciting tour of Sutton Place and other east side points.

Cost: $17.00 per person

HENRY KISSINGER TO KEYNOTE AT CHAIRMAN'S LUNCHEON

Recipient of the Nobel Peace Prize and the Presidential Medal of Freedom

Dr. Kissinger has been praised as one of the most brilliant Secretaries of State in the history of the United States. His rare eloquence and wit have made him one of the most popular speakers—not only here in America, but throughout the world! A Secretary of State under two Presidents, he was also National Security Advisor for six years, and continues to be sought after for his expertise in foreign affairs—having most recently served as Chairman of the Bipartisan Commission on Central America.

Upon leaving the State Department, Dr. Kissinger accepted the positions of University Professor of Diplomacy at the School of Foreign Service and Counselor to the Center for Strategic and International Studies, both at Georgetown University. He is also a Director of the Foreign Policy Association, a Counselor of the Chase Manhattan Bank and a member of its International Advisory Committee, and a member of the Council on Foreign Relations. Among his other activities, he is Chairman of the Board of International House, Trustee of the Rockefeller Brothers Fund, Trustee of the Metropolitan Museum of Art, and Contributing Analyst for ABC News.

Among the awards Dr. Kissinger has received have been the Nobel Peace Prize in 1973 and the Presidential Medal of Freedom, this nation's highest civilian award, in 1977.

Dr. Kissinger was born in Fuerth, Germany, on May 27, 1923, came to the United States in 1938, and was naturalized a United States citizen on June 19, 1943. He served in the US Army from 1943 to 1946. He received a BA degree summa cum laude at Harvard College in 1950 and the MA and PhD degrees at Harvard University in 1952 and 1954.

From 1954 until 1969 he was a member of the faculty of Harvard University, both in the Department of Government and the Center for International Affairs. He was Director of the Harvard International Seminar from 1951 to 1969. He served as consultant to the White House during the Kennedy Administration and to the Department of State during the Johnson Administration.

Dr. Kissinger married the former Nancy Sharon Maginnes on March 30, 1974. He is the father of two children, Elizabeth and David, by a previous marriage.

NATIONAL PAPER TRADE ASSOCIATION, INC.

PREPARING FOR THE FUTURE

1 • 9 • 8 • 5

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SPECIAL EVENTS TICKETS ORDER FORM

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Monday, October 7, 1985
12:30 p.m. - 2:30 p.m.

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Young Executives Forum: *Winning With People*
Reception, Luncheon, Special Meeting
Saturday, October 5, 1985
12:30 p.m. - 2:30 p.m.

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Spouses Program: *Experience New York*

Saturday, October 5, 1985
12:00 Noon - 4:00 p.m.
"NY Experience"

Please Reserve:
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Sunday, October 6, 1985
12:00 Noon - 5:00 p.m.
"Days of Wine & Roses"

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Monday, October 7, 1985
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"United Nations"

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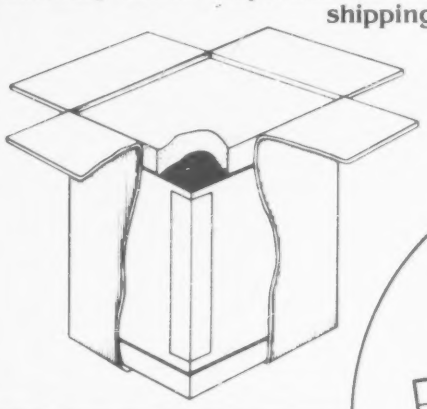

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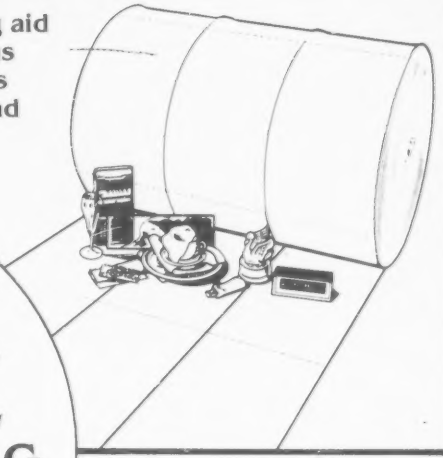

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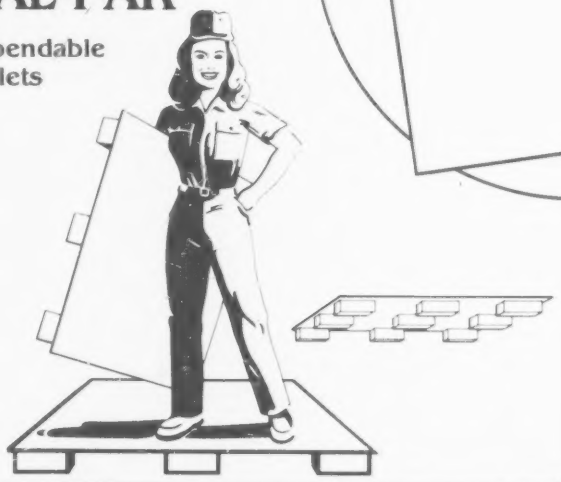

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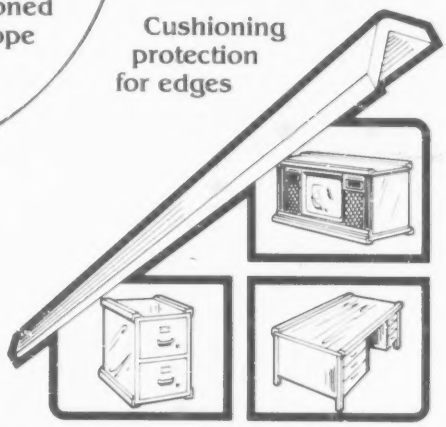

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SUNDAY, OCTOBER 6

General Business Session: 10:00 a.m.–11:30a.m.

This program is always a most informative session for Convention attendees. New York City's Mayor Ed Koch has been invited to welcome all to the NPTA Annual Convention and Exposition. Mayor Koch, a nationally known politician and leader, is expected to greet paper merchants and suppliers from around the country and welcome them to the "Big Apple."

John McDevitt, economist for the 3M Company will present "Economic Trends That Will Impact on the Paper Distribution Industry." His talk will be of interest to all in attendance.

Following McDevitt's presentation, noted author George Plimpton will speak about his great variety of experiences that have led to the publication of his 12 books. Come to hear this most amazing man speak his about intriging life.

NPTA Annual Business Meeting:
11:30 a.m.–12:00 Noon
NPTA Members Only

The Annual Business Meeting of the National Paper Trade Association is an opportunity for members to learn of the activities of the Association in the past year. It is also a time to help forge the direction the Association will take in the industry.

MONDAY, OCTOBER 7

Continental Breakfast: 8:30 a.m.–9:30 a.m.

The exhibitors at the 1985 Exposition invite all to a continental breakfast held on the floor of the Show. It is their way of saying "Thank You" to all of their friends in the paper distribution industry.

Implementing Successful Printing Paper Marketing Programs: 10:30 a.m.–12:00 Noon

Most paper distributors have many of their past "new" products still in stock. How can the odds be increased when launching a new printing paper product line and cut down on potential cash traps? This presentation, by noted marketing expert D. Bruce Merrifield, identifies 10 marketing guidelines that will help merchants select products (new or old) that will fit the distributor's competitive strategy. It also reviews the process that will help maintain the promotional persistance and focus necessary to get the product line going.

The key benefits of Merrifield's approach are to select printing paper product lines that will yield the best return on invested time as well as inventory; to reduce future cash traps; and fit the scope of most productive customers and the company's style of business. This is a meeting of the Printing Paper Division of NPTA.

Preparing For The Future Reception:
12:00 Noon–12:30 p.m.

As a prelude to the Chairman's Luncheon, this cash bar reception is an opportunity for all Convention attendees to meet and greet one another.

Chairman's Luncheon: 12:30 p.m.–2:30 p.m.

The highlight of the 1985 Convention and Exposition will be the annual Chairman's Luncheon with proceeds going to support the Paper And Plastics Education Research (PAPER) Foundation. At this event, the Stanley O. Styles Industry Excellence Award will be given to Albert F. Duval.

The keynote speaker for the event will be Henry Kissinger, former Secretary of State and internationally known statesman. His message about the role of the United States in foreign affairs will be valuable for all.

The Chairman's Luncheon is a very special event and Convention registrants are encouraged to purchase tickets early. Luncheon tickets will *not* be available on-site. Tickets are $75.00 each. $15.00 of each ticket represents a donation to the PAPER Foundation. Tables of 10 are $700. (Use the Special Events Order Form to order tickets.)

Paper Merchant Retail Cash & Carry—A to Z:
2:30 p.m.–4:00 p.m.

A look at the necessary ingredients to run a successful paper merchant retail operation. Among the subjects discussed will be store layout, advertising promotion and product selection. This is a program that should not be missed by anyone operating a store or interested in starting such an operation.

(Continued on page 24)

HAMMERMILL PAPER COMPANY

On June 28, 1898 a few men stood on the banks of Lake Erie. Without ceremony, without publicity, Ernst and Otto Behrend turned over the first spade of earth for the foundation of the paper mill they were building. It was to be established on the basis of a new manufacturing process: the use of sulphite wood pulp coupled with the latest inventions for bleaching. This was a revolutionary idea because in those days there were no low-cost, good, durable, white business papers available.

Prior to the founding of Hammermill, fine papers were expensive and made almost entirely from the cellulose fibers obtained from rags.

The founders of Hammermill also had innovative employment concepts. Before the turn of the century, papermakers were, as a rule, vagabonds hoppings from one mill to another. In spite of industry skepticism, the Behrends decided to train their own papermakers, dispense with the hiring and firing practices which then prevailed, and build a stable, dependable firm which offered its employees job security and opportunities for advancement.

The Behrends had a dream and hoped that some day Hammermill would employ as many as 200 workers. Their dream has been more than fulfilled.

Hammermill is still headquartered in Erie, PA on a 225 acre tract close to the site of the original mill but today its annual sales amount to nearly two billion dollars and the company is listed as one of our nation's major corporations.

Of course, Hammermill now consists of more than just one paper mill. At this time, twenty divisions and more than 12,000 employees are active in five distinct but interrelated businesses: the manufacture of fine printing and writing papers; distribution of paper and related products; production of specialized industrial papers; paper conversion; timberlands management and wood production.

Each division operates as an individual company, acts as a separate cost center and assumes the responsibility for developing the products and services required by its particular markets.

All the divisions, however, subscribe to the basic management philosophies of the corporation. These, of course, include the traditions of employment security, advancement opportunity and respect for human dignity which have been part of the company since its inception in 1898.

Additionally, because Hammermill Paper Company is socially responsible and deeply concerned about the problems of today, the entire corporation is actively involved in protecting the environment, conserving energy, and preserving the nation's natural resources for the use of future generations. Furthermore, the company encourages all of its employees to participate in local affairs and assume leadership roles in their individual communities.

Hammermill Distribution Group

Each of Hammermill's four merchant chains operates as a separate company and serves a specific geographic area. And, although this business group concentrates on paper distribution—fine and industrial papers comprise about 80% of total sales—each division also merchandises other products.

Carter Rice which joined Hammermill in 1966 has 18 branches located along the Atlantic seaboard from Maine to Washington, DC. The division's primary business is the sale of printing, specialty and industrial papers produced by many of the nation's leading mills.

Western Paper Company: Western Paper Company became a part of Hammermill in 1961 and has 39 branches that fan out over the central, southern and western states. Many manufacturers produce the fine and printing papers which account for a large part of Western's sales but the division also distributes graphic arts supplies and equipment, including such major items as large printing presses and trimmers.

CDA Distributors: Organized in 1977, differs from the printing and graphic arts emphasis of the aforementioned divisions. It specializes in merchandising products such as packaging materials, industrial papers, maintenance supplies and chemicals.

Industrial Material Distributors: Industrial Material Distributors, an international mar-

keting organization engaged in the distribution of paperboard and specialty papers, was formed in 1981. These companies concentrate on serving the needs of corrugated container and paperboard box manufacturers. The Division also sells wood pulp and chemicals to paper manufacturers.

Wholesalers are always looking for good lines, but merchant-mill ties are historic and good franchises are difficult to obtain—a merchant must "earn" the right to distribute a product. For example, Carter Rice's Boston branch and Western's Omaha branch started selling Hammermill paper back in 1912, long before the firms became part of Hammermill Paper Company. They did so simply because it was good business then, as it is today, to supply their customers with the high quality paper they want.

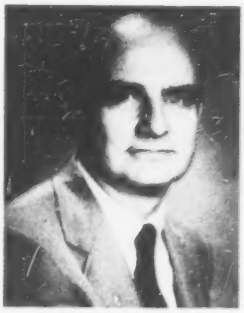
And, giving customers what they want, when they want it, is the Distribution Group's goal. This goal is met through an operating philosophy of highly decentralized management. The local management at over 75 merchant locations has the primary responsibility for determining which products and services will be provided to meet customer needs in their own individual markets.

The 2,500 employees make Hammermill's Distribution Group people intensive. Management recruits and develops an effective sales force which, in turn, helps attract high quality lines such as Hammermill, Beckett, Strathmore, S.D. Warren, Consolidated, International, Eastman Kodak, 3M, Scott and Mobile. This is most important because a second-rate line is difficult to sell, even by a good salesman and a quality line will "die" if it is not properly sold and serviced.

Because this business segment serves various markets, it is not as greatly affected when a business downturn hits a certain industry or geographic area. In this way, the Hammermill Distribution Group makes a major contribution to the company's economic stability. For Hammermill, it will continue to be a major growth business.

CONVENTION UPDATE

CONTINUED FROM PAGE 24



Peter Mullins

Dave Hoods

TUESDAY, OCTOBER 8

Managing Customer and Product Line Profitability: 9:00 a.m.–11:00 a.m.

Dr. Peter Mullins, the national recognized financial management consultant, will present this "Management Conference" program for those who want to know how to manage the profitability of both customers and products more effectively. Dr. Mullins is presenting a series of full-day workshops for NPTA on this subject around the country. He will offer this special two hour session for those who may not have had the opportunity to participate in his day-long session.

This subject is vital for paper distributors and is targeted at top management. It will help Convention attendees focus on what the merchant should do to identify, inventory and deal with suppliers more effectively.

Establishing the Highest Value for Your Business: 9:00 a.m.–11:00 a.m.

Those who own their companies know the importance of determining its value. The Geneva Corporation specializes in providing small to mid-size business owners with information and consultation about selling their businesses, determining value and planning the transfer of ownership within the family. Dave Hoods, president of Geneva Marketing Services, will make the presentation.

To determine the price of a business, a company's past and current financials must be recast to reflect the true, higher current value. And more importantly, future earnings and cash flow must be projected based on valid, objective market research. This presentation will give those attending good insight into what is important in this evaluation and how to go about it.

Management Roundtable: 9:00 a.m.–11:00 a.m.

This part of the Annual Convention gives participants a chance to form discussion groups and share thoughts and concerns in a more formal way. Roundtable discussion groups have proven to be a generator of both new ideas and solutions to old problems. Those electing to be involved in the Management Roundtable will select the topic; NPTA will structure the session.

To avoid any conflicts of interest, competitors will not be seated at the same table. This means that those wishing to participate must pre-register with the NPTA headquarters office. (Use the Meeting Attendance Form.)

STANDARD PAPER

SP/DP™ DISTRIBUTOR PACKAGE

ROBERT PENNA
GENERAL MANAGER
OF ARROW PAPER
SOMERVILLE, MA

ARCHY PENNA
OWNER
OF ARROW PAPER
SOMERVILLE, MA

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I CARE HOW IT WORKS. It allows me to watch the pricing on ten salesmen. By monitoring price changes and pinpointing shaky pricing levels before invoicing, we have increased our GTM by several percentage points. We get our bills out faster, and close the month on time. Inventory forecasting helps me buy better, turn the inventory faster, and keep slow-moving items to a minimum. All without any in-house programmers or specially trained people.

I DON'T MUCH CARE HOW IT WORKS. I care about what it does. It has given us the tool we never had to control accounts receivable and contain inventory. Three months after we got the Qantel with the Standard Paper package we were out of the bank (for the first time ever), and since then have improved our cash flow by hundreds of thousands of dollars. Any owner can appreciate what that means, especially these days.

THE BOTTOM LINE?

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FIRST CLASS IN MANAGEMENT DEVELOPMENT GRADUATES

In an era of rapid technological change and increased competition, the need to train and educate managers has become more urgent. NPTA, in recognition of this emerging need in the paper distribution industry, established its two-week Management Development Program at Miami University, Oxford, OH.

NPTA was pleased to hold its first complete session of the Management Development Program on October 28–November 2, 1984 and May 6–10, 1985. The first graduating class of 16 managers completed their two-week program committed to professional growth and development in managerial and supervisory skills.

Week one of their intensive curriculum included course work in: financial management, market analysis, strategic marketing, credit and collections. Week two included: time and stress management, leadership, performance evaluation, supervisory training, problem solving, interpersonal and organizational communication.

The complete two-week program offered its participants a variety of teaching formats: lectures, case studies, group interaction with an individualized marketing project to be completed back home between the first and second weeks. "The program created a bridge between the university setting and the need for specialized training. It was designed for those managers who want and need a formal review of both the theory and practice of running a paper merchant operation," said John J. Buckley, Jr., NPTA president.

Seven professors, nationally recognized in their fields, made up the program's faculty. The majority have significant business experience and are currently engaged in a wide variety of consulting services for industry and government. Miami University is considered one of the 20 most selective state universities in the country and has one of the finest business schools.

Richard Vandergrift, PhD from the university's Center for Management Services said, "Following the graduation of our first NPTA Management Development Program group, we at Miami University are enthused and excited in being a part of a long range management and industry development program. The high caliber and professionalism of our graduates truly suggests that the industry will be enhansed."

Participants agreed that the program was worth the time and expense. "The Miami University Management Development Program gave me a better understanding of my working environment—human resources and my market place," said Don Dial, vice president and branch manager of Carr Paper Company of Indio, CA. Without a doubt, I would highly recommend this program to any manager interested in gaining the skills necessary to run his business more efficiently and profitably."

Peter Tomasini, vice president of sales, The Dowd Company, Inc., Woburn, MA said, "After attending the second session, I am fully convinced that the NPTA Paper Distribution Management Program was a total success. The presentations and workshops in strategic planning, employee relations and team building were especially timely, informative and lively. My investment in time in attending this program was well spent, and I highly encourage other managers in our industry to attend."

"This program emphasized case studies and group discussions as well as small work groups," said Bob Breedlove, general manager, Unijax, Orlando, FL. These sessions gave us the opportunites to share common experiences. The program offered a nice balance of theory and practice."

Steve Ohrman, vice president and general manager of Supplyways, Inc., Portland, OR said, "It is a real honor to be one of the first graduates of this great NPTA–sponsored Management Development Program. The educational program was directed totally to the needs of the mid to upper management level in our paper distribution field. I know my company will benefit greatly from the ideas learned at Miami University."

"TO OLD MIAMI"

To Old Miami, where we all came
To learn and strive for business gain.
Men thrown together in brick-laid halls
Away from wives, where duty calls.

Our professors wise, their experience great
For our classes, they were never late.
Their comments were smart, and to the point
Upon our heads, they did annoint

To know-how needed to strategic plan
To separate us from also-rans
Financial analysis, and PAR Reports
And terrible jokes, as last resorts.

What is management, and motivation?
A little drink, no procreation.
Stalwart boys, down to the last
Brilliant minds, and wits so fast.

We were all troopers, put on our shorts,
Up every morning, to stretch and snort,
On day one, there were twenty-three
By Friday morn, eight did we see.

Steve, Bob, Howard, J.B., Alan, Don,
Phil and Peter, Eddie and Ron.

Mike, Bill, Bob, and all that are left,
Are this Jeff, that Jeff, and the other Jeff.

We took a vote on our favorite teachers
The one's who were relevant, who were great speakers.
With Olsen's statistics our foundations were laid,
Except on his humor, which got very low grades.

Watson and Speh, and Healey and Healy,
Snavely, Mc'Neill were excellent, really.
But the man who was the real pace-setter,
Was the man who tied it all together!

But seriously now, as we say goodbye,
Our time has been fun, our allegiances lie,
With each-other, with Miami and you,
We thank you all, for all that you do!

This was presented orally to the full entourage of the NPTA-Miami University Management Training Program staff, freshman class and the first graduating class whose names appear within the text of this ode.

Any similarity to real persons or circumstances was deliberate. *Jeffrey H. Grover, National Paper & Packaging Company.*

PROGRAM GRADUATES

Howard Adcock
Branch Operations Manager
Brame Specialty Co., Inc.
Durham, NC

Dennis Filkoski
Vice President & General Manager
Butler Paper Company
Denver, CO

Don E. Dial
Indio Branch Manager
Carr Paper Company
Pomona, CA

J. Mike Lease
El Centro Branch Manager
Carr Paper Company
Pomona, CA

Peter Tomasini
Vice President of Sales
The Dowd Co., Inc.
Woburn, MA

Jeffrey Kirchmer
General Manager
General Paper Co.
Pittsburgh, PA

James E. Bliler
Sales Manager–
S. Bend/Hammond Branch
Inlander-Steindler Paper Company
Elk Grove Village, IL

Edward Klaskow
Sales Service & Purchasing
JB Papers Inc.
Union, NJ

Ron Esper
Vice President
Morris Paper Company
Pittsburgh, PA

Jeffrey Epstein
Operations/Production Manager
National Paper & Packaging Co.
Cleveland, OH

Jeffrey H. Grover
Territory Representative
National Paper & Packaging Co.
Cleveland, OH

Phil Christensen
Sales
The Ohio and Michigan Paper Co.
Toledo, OH

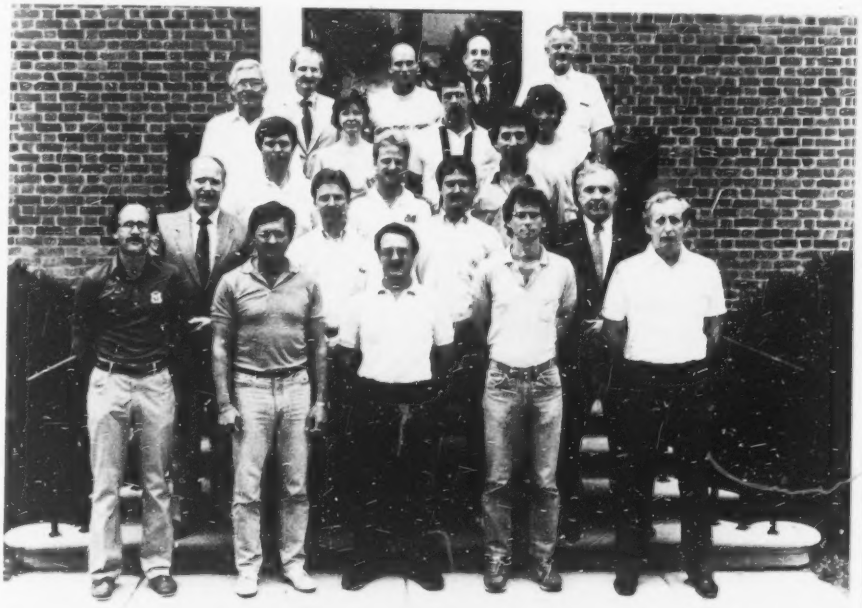
Alan Leininger
Executive Vice President
The Ohio and Michigan Paper Co.
Toledo, OH

Bill Cook
Sales Manager
Ropak of Texas–
Div. of Hammermill
Dallas, TX.

Steven F. Ohrman
Vice President and General Manager
Supplyways Inc.
Portland, OR

Robert C. Breedlove
Branch General Manager–
Orlando
Unijax, Inc.
Orlando, FL

For a descriptive brochure providing more information on the next Management Development Program, contact the NPTA Education and Training Department at 516–829–3070.



The first graduates and staff of NPTA's Management Development Program

MERCHANT INVENTORY MANAGEMENT

Inventory management is always a key issue for paper merchants today. NPTA's PAR (Performance Analysis Report) survey of 1984 merchant operations revealed that between 30.2% and 32.3% of total assets on a typical merchant's balance sheet consists of inventory. This percentage dropped substantially from 36.1% in 1983 to 32.3% in 1984 for dual merchants. For industrial paper houses this figure dropped slightly from 32.8% to 32.3%. Printing paper merchants' inventory constituted a slightly higher share of total assets, 30.2% in 1984 versus 29.6% in 1983.

Inventory turnover is a critical indicator of the health of a paper merchant's business. It is defined as: cost of warehouse goods sold relative to average inventory (average of beginning and ending yearly inventory). Averaging is needed to smooth out seasonal fluctuations.

For all three types of merchants, inventory was turned over faster in 1984 than during 1983. The "composite average" rose from 4.80 to 4.93 times yearly for printing paper houses, from 6.26 to 6.32 times for industrial houses, and from 5.76 to 6.43 times for dual merchants.

By size of company, some interesting facts are revealed. In printing paper, turnover was fastest for firms with sales under $8 million and $15–50 million. This was also true in 1983. For industrial houses, the fastest inventory turnover was posted by companies in the $12–25 million sales class, 9.16 times annually in 1984, far higher than the "all firms" average. This was also true in 1983 (8.32 times). In dual merchant firms, the fastest inventory turnover was by the largest firms, with over $65 million in sales. Their turnover rate was 6.53 times.

Turnover, however, should not be analyzed alone. Gross trading margins are also critical. Faster inventory turnover is desirable up to the point where handling, delivery and order processing costs become burdensome. Therefore, the most sought-after situation is a balance between good turnover and good margins. A measure which incorporates turnover and profits is the *turn & earn index*.. It is defined as inventory turnover multiplied by gross profits earned on warehouse sales, and is a more comprehensive measure of product line profitability.

Referring to the table on this page one can see that this turn & earn index dropped slightly in 1984 for both printing and industrial houses. This is due to the fact that gross margins dropped while turnover improved. (The turn & earn index is discussed in the "PAR User's Guide.")

Another useful measure in the table is *days sales in average inventory*. It is calculated by dividing the average monthly inventory by average warehouse cost of goods sold per day. This figure stood at 47.27 days for industrial houses in 1984 (vs. 53.76 in 1983) and 68.92 days for printing houses (vs. 77.05 days in 1983).

The ROTA (Return On Total Assets) groups concept covered in last month's "Management Information" page of *MN* (on functional area expenses) is continued in the table on this page. ROTA, or net profit on sales divided by total assets, is so vital a measure that all companies participating in PAR are ranked as high, median or low ROTA firms.

As one can see from the table, there is often a significant spread in performance between these high and low ROTA group firms. For instance, during 1984 for industrial merchants, inventory was turned over 1.23 times faster by the high ROTA companies, they had 8.36 less days sales in average inventory, and their turn & earn index was 21% higher. For printing paper merchants, high ROTA firms had a 25% higher turn & earn index but oddly had 3.49 days *more* sales in inventory, and inventory was turned over slower.

INVENTORY MANAGEMENT
(All Measures Are LIFO-Based)

Measures	Year	Median ROTA Groups	High ROTA Group	Low ROTA Group
Industrial Paper Merchants				
Average Inventory ($000)	1984	658	1,373	622
	1983	812	930	526
Days Sales In Avg.	1984	47.27	46.08	54.44
Inventory (Whse., days)	1983	53.76	48.20	52.77
Inventory Turnover	1984	7.72	7.93	6.70
(Whse. only, per year)	1983	6.79	7.57	6.98
Turn & Earn Index,	1984	181.89	202.06	166.51
(Whse., %)	1983	194.44	204.75	164.46
Printing Paper Merchants				
Average Inventory ($000)	1984	1,363	1,699	818
	1983	1,129	1,757	1,067
Days Sales In Avg.	1984	68.92	73.34	69.85
Inventory (Whse., days)	1983	77.05	66.94	73.16
Inventory Turnover	1984	5.30	4.98	5.23
(Whse. only, per year)	1983	4.74	5.45	5.04
Turn & Earn Index,	1984	113.23	120.88	96.63
(Whse., %)	1983	116.51	124.73	99.88

SOURCE: NPTA/MFI Annual PAR Survey

DRUG SCREENING

At a recent Personnel Law Update seminar sponsored by the Council on Education in Management, attorney James Severson noted that employers are becoming more interested in the drug screening of their employees. Although there are no legal constraints on pre-employment drug screening, Severson warned that such tests on current employees could evoke privacy concerns. He also said that it is unclear whether employers can impose disciplinary action in the workplace based on evidence of drug use during nonworking hours.

As an alternative to screening tests, employers have the right to search lockers and desks on company property, Severson said. Such searches should be for a specific purpose and the employees should be informed of them in writing, he advised. (Check with your corporate counsel before proceeding.)

In addition, Severson noted that legal theories that consider alcoholism an employment handicap may eventually include drug abuse as a handicap as well.

DISAPPOINTING GROWTH FOR PC SOFTWARE

The thousands of small companies that constitute the bulk of the personal computer software industry are facing a major problem—too many brands, and they all look alike. This, according to a report in the Sales & Marketing Digest, *is causing concern for managers.*

The glut of metoo products is especially acute for word processing and spreadsheet programs. A relatively small group of technical people and business analysts has been buying most of the software; these users were largely responsible for the impressive 79% growth rate from 1979 to 1984.

But market research conducted by InfoCorp indicates that this business will slow to a 26% annual growth rate. Lorraine Mecca, chief executive of Micro D Inc., a software distributor, says, "The market has slowed because all those 'technoids' have been reached. Now we have to get to the normal people."

NEW GUIDELINES COULD INCREASE CONTROL OF SUPPLIERS OVER MERCHANTS

According to the NAW Legal Counsel Louis Marchese, the guidelines do not carry the force of law, but such guidelines have considerably influenced judicial decisions in the past. Should the courts take direction from the Justice guidelines, a more rigidly controlled distributional process could result.

New Department of Justice guidelines have given manufacturers "a green light to impose non-price marketing restraints on wholesaler-distributors," according to NAW Legal Counsel. This opinion results from counsel's review of guidelines released by Justice's Antitrust division, which concluded that such restraints pose no antitrust problems in the vast majority of cases.

According to the NAW Legal Counsel Louis Marchese, the guidelines do not carry the force of law, but such guidelines have considerably influenced judicial decisions in the past. Should the courts take direction from the Justice guidelines, a more rigidly controlled distributional process could result.

While in many instances the guidelines should lend some certainty and uniformity to the evaluation of vertical restraints and, in the short run, could produce economic efficiencies in wholesale distribution, especially with regard to some of the restraints. Nevertheless, the far-reaching aspects of these guidelines can produce a traumatic impact on the industry in the long run.

Three Types of Restraints

There are three major categories of vertical (that is, manufacturer/wholesaler-distributor) restraints covered by the guidelines. It is Justice's present thinking that these restraints are *not* generally anti-competitive. Only in very infrequent situations would Justice become concerned over such distributional restraints. As things stand, however, the division feels that the following three restraints by manufacturers on wholesaler-distributors could produce greater efficiencies rather than high prices or anti-competitiveness:

1. *Territorial and Customer Restraints.* These restraints imposed by the manufacturer on the wholesaler-distributor, limit the geographic locales in which, and the parties to whom, the wholesaler-distributor may sell.

While "air-tight" restraints on the wholesaler-distributor have been challenged on antitrust grounds in the past, the guidelines relax that view. The result: a manufacturer could terminate a business relationship with a wholesaler-distributor who makes extra-territorial sales and/or sales to selected customers reserved by the manufacturer.

2. *Exclusive Dealing.* This type of restraint could require a wholesaler-distributor to deal only with a particular manufacturer, keeping that wholesaler-distributor from also carrying another manufacturer's line. It could also include arrangements in which manufacturers agree to deal only with particular wholesaler-distributors.

These restraints could lead to an increase in the number of exclusive distributorships, exclusion of competing lines, restricted availability of a product (including repair and replacement parts) and the growth of "authorized outlets."

3. *Tie-Ins.* These restraints affect the independent status of the wholesaler-distributor by requiring him to purchase a second distinct product or service as a condition of buying a first product.

This restraint could lead to forcing wholesaler-distributors to buy full lines, excluding the purchase of certain products/servcies, requiring wholesaler-distributors to handle only approved parts and/or requiring provision of certain services in order to sell certain products.

All of the above restraints would be permitted without even raising an antitrust eyebrow in cases in which the manufacturer has less than a 10% market share. Justice has put together a complicated formula to enable manufacturers to impose vertical restraints in cases where market share exceeds 10%, if that manufacturer operates in an "unconcentrated" market—or one in which competing manufacturers do not use similar restraints extensively.

If the vertical restraint does not pass the market share test, a lengthier economic situation analysis proceeds. This analysis considers factors such as ease of market entry, the degree to which the restraint is exclusionary and the manufacturer's intent.

Vertical restraints which pass either the market share or economic analysis test are not subject to further analysis.

Finally, while territorial/customer restrictions, exclusive dealing and tie-ins are non-price restraints, the Justice guidelines also permit some forms of price restraints if they are considered merely ancillary to permissible non-price restraints.

MN would like to hear from readers if they feel they may be affected positively or negatively by these guidelines. A complete set of the guidelines are available from NPTA headquarters.

PAPER MERCHANT SALES REPORT

JULY, 1985

NPTA Region	Sales Per Selling Day July 1985 - Compared To - July 1984	Sales Per Selling Day July 1985 - Compared To - June 1985	Sales Per Selling Day 1985 Year-to-Date - Compared To - 1984 Year-to-Date	Days Outstanding (Accounts and Notes) At Close of July 1984	Days Outstanding (Accounts and Notes) At Close of July 1985	Calendar Day Cost* of Ending June Inventory 1984	Calendar Day Cost* of Ending June Inventory 1985
INDUSTRIAL							
1	+17.3	– 9.6	+ 2.5	44	40	47	—
2	+ 3.4	– 4.2	+ 1.6	35	35	47	47
3	– 0.2	+ 0.3	– 1.2	37	39	58	63
4	– 5.1	– 1.4	– 2.8	37	36	54	55
5	– 1.2	– 2.5	+ 4.6	35	33	59	57
6	–11.8	+ 1.1	+ 0.0	41	43	—	—
7	+ 3.8	+ 1.8	– 0.9	38	36	48	56
NY	+13.9	– 6.5	+ 9.7	45	38	—	—
Chicago	+ 6.6	– 6.5	+ 3.8	36	34	—	54
LA	–12.5	–11.6	– 4.2	50	48	56	53
US	– 0.7	– 2.9	+ 0.5	39	38	53	55
PRINTING							
1	+15.0	– 3.8	+ 8.1	49	50	—	—
2	– 3.4	– 6.6	+ 2.6	46	45	59	61
3	– 9.3	+ 0.6	+ 7.2	42	41	82	87
4	– 1.4	+ 7.2	+ 0.3	41	43	74	79
5	+ 0.0	– 7.0	+ 3.0	45	41	—	94
6	– 2.5	+ 4.1	+ 0.0	41	41	—	—
7	– 5.1	– 1.2	+ 5.9	42	39	85	83
NY	†	†	†	42	†	—	—
Chicago	– 4.4	– 8.2	– 5.3	40	42	—	—
LA	–26.4	+ 3.2	+ 0.0	45	49	81	87
US	– 2.6	– 2.4	+ 1.8	43	44	77	80

*To calculate montly inventory turnover, divide 365 calendar days by # of calendar days cost, e.g., 365/73 = 5.00x.

†Insufficient data to calculate valid statistics.

Region 1: CT, ME, MA, NH, RI & VT
Region 2: DE, DC, MD, NJ, NY & PA (excluding NY Metro)
Region 3: AL, FL, GA, NC, SC, TN & VA
Region 4: IL, IN, KY, MI, MO, OH, WV & WI (excluding Chicago Metro)
Region 5: CO, IA, KS, MN, MT, NE, ND, SD, WY
Region 6: AK, AZ, CA, HI, ID, NV, NM, OR, UT & WA (excluding LA Metro)
Region 7: AR, LA, MS, OK & TX
NY Metro: NY: New York City, Long Island and Westchester Co. NJ: Counties of Bergen, Essex, Hudson, Middlesex, Passaic and Union

Chicago Metro: IL: City of Chicago and Cook, DuPage and Lake Cos. IN: Lake Co.
LA Metro: Cities: Los Angeles, and San Diego. Counties: Los Angeles, San Diego, Orange and Ventura (and neighboring parts of Riverside and San Bernadino)

Selling Days
The actual number of days a firm was open for business or that the sales people made customer calls [calendar days less weekends (if applicable) and holidays]. By supplying selling days of each firm, the sales per selling day are standardized according to actual business conditions or company policies.

Days Outstanding
The number of days outstanding on this report are calculated by adding the current month's sales and the previous month's sales and dividing the total by the number of calendar days of the two months. The result is a figure representing average sales per calendar day.

The total figure provided for closing accounts and notes receivable is divided by the average sales per calendar day. The result is the number of days outstanding at the end of the month being prepared.

ACTIVITY CONTINUED

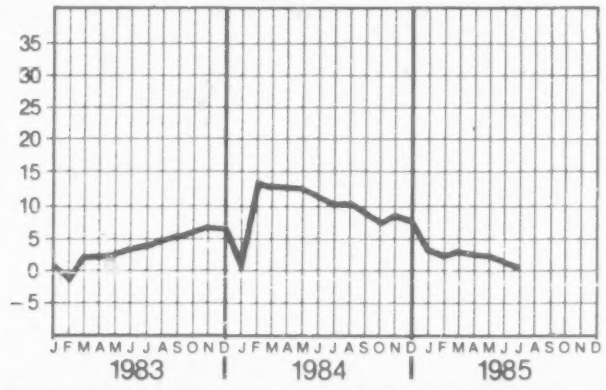
PAPER MERCHANT SALES REPORT

SUMMARY NATIONAL TREND INFORMATION: 1983 TO PRESENT

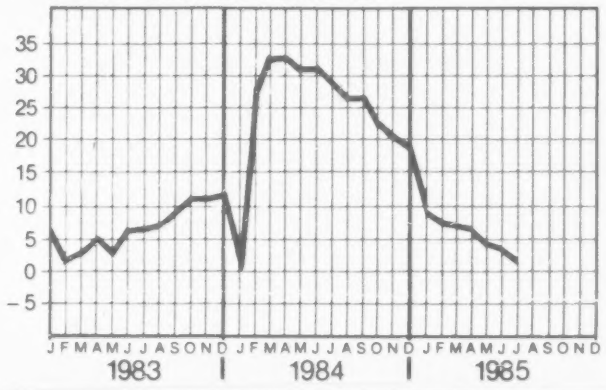
SALES INFORMATION

YEAR-TO-DATE SALES PER SELLING DAY AS A PERCENTAGE OF PREVIOUS YEAR'S YEAR-TO-DATE SALES PER SELLING DAY

INDUSTRIAL PAPER SALES NATIONALLY



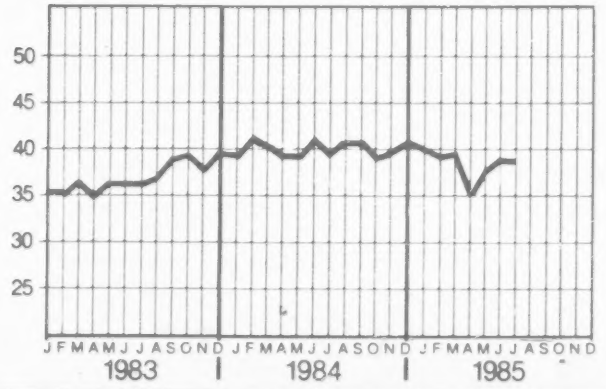
PRINTING PAPER SALES NATIONALLY



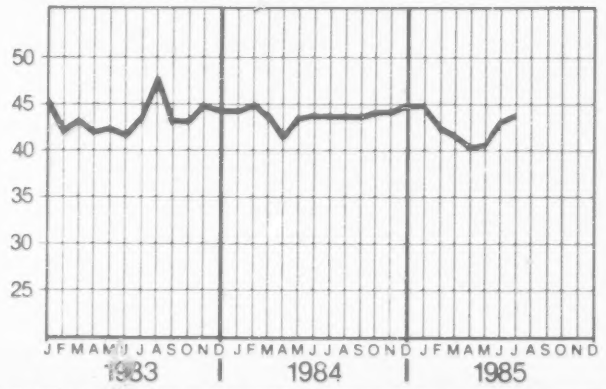
RECEIVABLES INFORMATION

DAYS OUTSTANDING—ACCOUNTS AND NOTES RECEIVABLE FROM PAPER SALES AT END OF EACH MONTH (IN CALENDAR DAYS)

INDUSTRIAL PAPER RECEIVABLES NATIONALLY



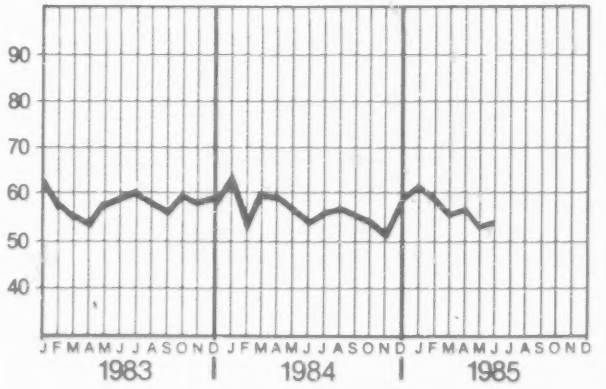
PRINTING PAPER RECEIVABLES NATIONALLY



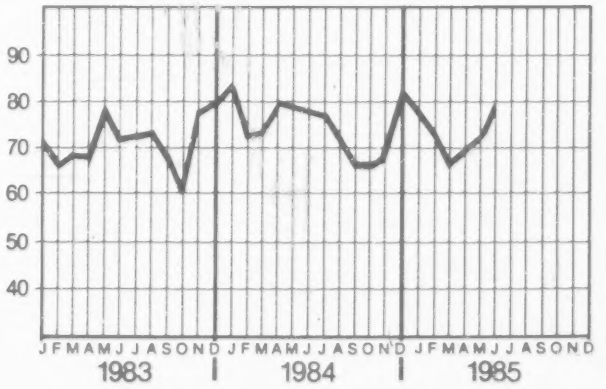
INVENTORY INFORMATION

CALENDAR DAYS COST OF ENDING MONTHLY INVENTORY (FIFO) (IN CALENDAR DAYS)

INDUSTRIAL PAPER INVENTORY NATIONALLY



PRINTING PAPER INVENTORY NATIONALLY



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